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DIRECTORATE OF
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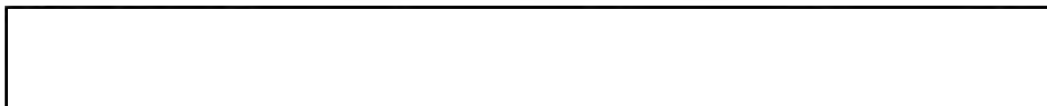
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[Arab States - Israel: The fedayeen may allow the airline passengers being held at Dawson's Landing to return to Amman, but presumably intend to keep them as hostages.

The central committee of the Palestine Liberation Organization (PLO), with which the Popular Front for the Liberation of Palestine (PFLP) is loosely associated, announced yesterday morning that all passengers of the three hijacked planes held in the Jordanian desert would be brought to Amman immediately and placed under the protection of the PLO. According to the announcement, the decision had been made for humanitarian reasons and also to stave off foreign intervention in Jordan under pretext of rescuing the hostages. Last evening, a spokesman for the PFLP announced that his group would accept the central committee decision to bring the passengers to Amman and would issue a new ransom proposal. According to unconfirmed press reports, Fatah--a more moderate fedayeen group--has sent buses to the landing strip to pick up the hostages, and the first group has already arrived in Amman.

Meanwhile, 66 of the women and children allowed off the planes earlier in the week--about 40 of them Americans--were evacuated from Amman to Cyprus yesterday. According to Red Cross representative Rochat, in charge of the negotiations for the release of the hostages, the PFLP concurred in their evacuation with no conditions attached. About 60 additional women and children remain to be evacuated, presumably some time today. A group of 22 passengers from the BOAC plane brought into Amman on 10 September also departed Jordan privately yesterday; a second BOAC group of about the same size arrived in Amman on Friday.

The Jordanian Government has told the PFLP that once the hostages arrive in Amman they will be under the jurisdiction and control of Jordanian authorities, who will proceed with their evacuation. According

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to Zaid Rifai, the chief of the Jordanian royal court, the government made it clear that if the fedayeen carried out their threat to blow up the aircraft and the passengers, Jordan would undertake a "wholesale assault" upon the fedayeen movement. It is not clear whether the government and the fedayeen have succeeded in ironing out the problem of the custody of the hostages, and disagreement over this point could be responsible for the delay in returning the passengers to Amman. Given the Jordanian Government's lack of control over the fedayeen, however, it seems likely that the government would consent to leave the hostages in the hands of the fedayeen central committee.

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Japan: Prime Minister Sato appears to have decided on a fourth term as prime minister.

Sato is under increasing pressure from leaders of the ruling conservative party to confirm his candidacy for another term as party president, and therefore as prime minister. The election may not occur until early November, but party leaders want Sato to announce his intentions before he leaves for a trip to the United Nations next month.

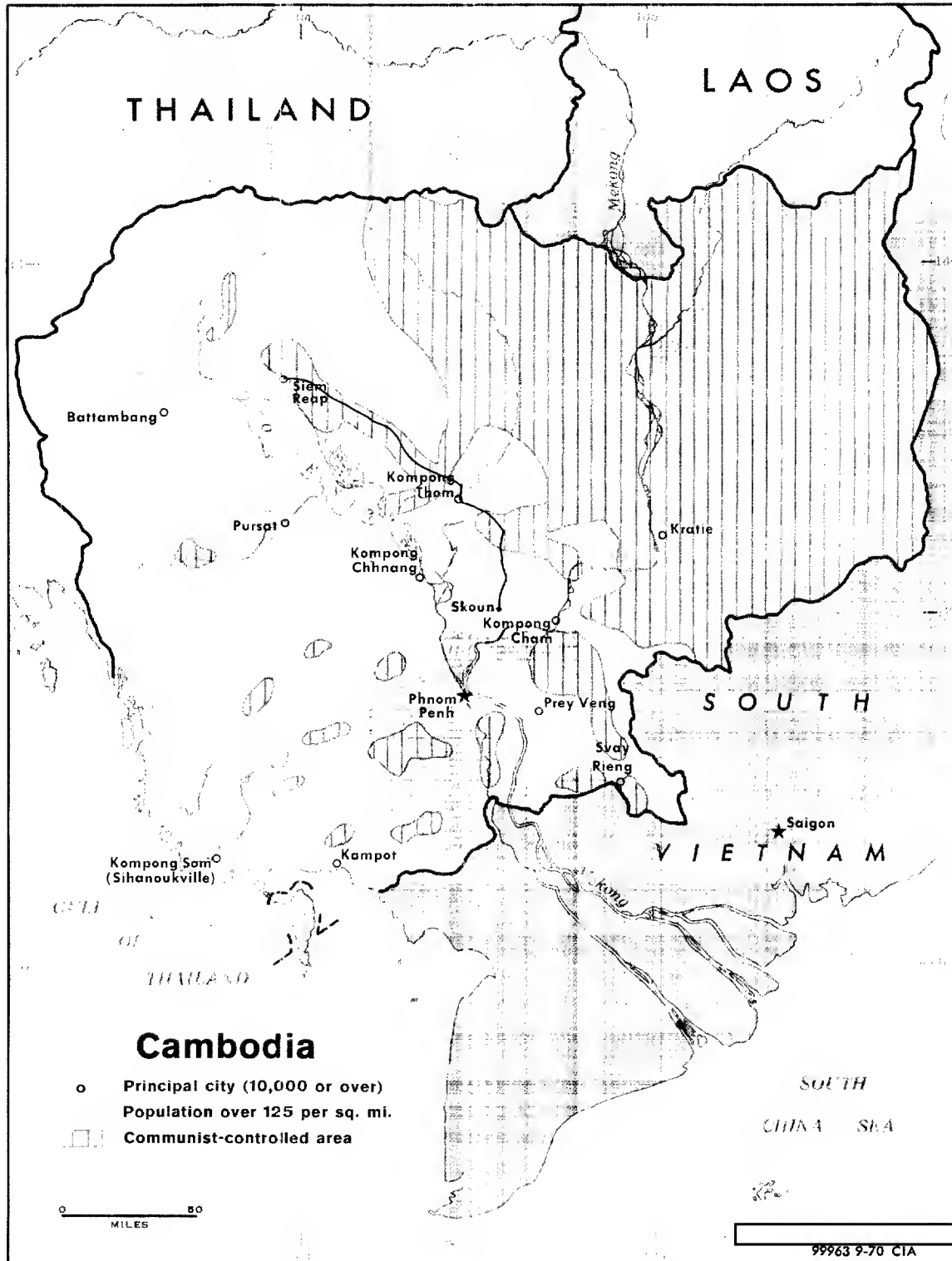
During the last several weeks, a number of important faction leaders, including defense chief Nakasone, have come out in favor of a fourth term for Sato. For a time Sato, who can have the job for the asking, appeared to be considering stepping down in favor of Finance Minister Fukuda, but opposition to Fukuda within the party apparently has been greater than Sato anticipated. The anti-Fukuda leaders have used the argument that Sato, because of his personal contacts with President Nixon last November, is the logical man to handle the growing US-Japan economic differences, and that his strong domestic support puts him in the best position to deal firmly with growing domestic political problems like pollution and inflation.

Sato is in his strongest position since becoming prime minister in 1964, but he is said to be getting "tired" of his job. He almost certainly, however, would not want to bow out if it appeared that a divisive succession fight would undermine party unity as well as his role as dominant elder statesman when he steps down.

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Current Situation



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Cambodia: Government troops now about 15 miles from Skoun on the road to Kompong Thom reportedly have encountered their first significant resistance.

A Cambodian Army spokesman in Phnom Penh told the press yesterday that air strikes were called in on a Communist force dug in near the government column. A US aerial observer reported yesterday that the Cambodian troops were not taking standard security measures to detect possible enemy forces in their immediate area.

Army Morale Problems

A number of recent army recruits have complained [redacted] that the government is too slow in paying them. Although some troops finally received four months' back pay in August, others are still unpaid. Some recruits also were bitter because the government was not aiding the families of soldiers killed in action.

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In addition to patriotic fervor, much of the flocking to the banner after Sihanouk's ouster was a consequence of the higher pay offered by the army in comparison to civilian salaries. There probably is some disillusionment among those who thought that the army would be the vehicle for a better life, especially with the prospect of increased fighting once the rains end. [redacted]

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The Netherlands: Strike calls, now spreading throughout the country, place in question the authority of organized labor and could affect the stability of the government.

The spark for the current wave of labor unrest was a late-August strike of port workers over pay for casual laborers. In a settlement on 1 September, the unions got much of what they had asked, but militants blocked a general return to work. The disarray in labor ranks was given an added dimension when a struggle for leadership of the militants developed between the Communists and a so-called Maoist group aided by some radical students.

The pay raise won by the port workers served, in turn, as a stimulus for wage-increase demands in other industries, particularly in the manufacturing and building trades. Organized labor is demanding across-the-board pay increases but, in view of its performance in the harbor strike, its authority could be further challenged.

Prime Minister De Jong's government, which has been attempting to stem a serious inflation, has the authority to veto any wage settlement not considered in the national interest. The passage of this legislation last year caused a government crisis, however, and informed observers doubt De Jong will invoke it. He is expected instead to attempt to get approval for fiscal measures, such as tax increases, when parliament reconvenes on Tuesday, even though there are those in the governing coalition who oppose tax hikes. Some politicians might prefer early national elections to taking actions that might hurt them in the elections otherwise due in May 1971. [REDACTED]

[REDACTED]

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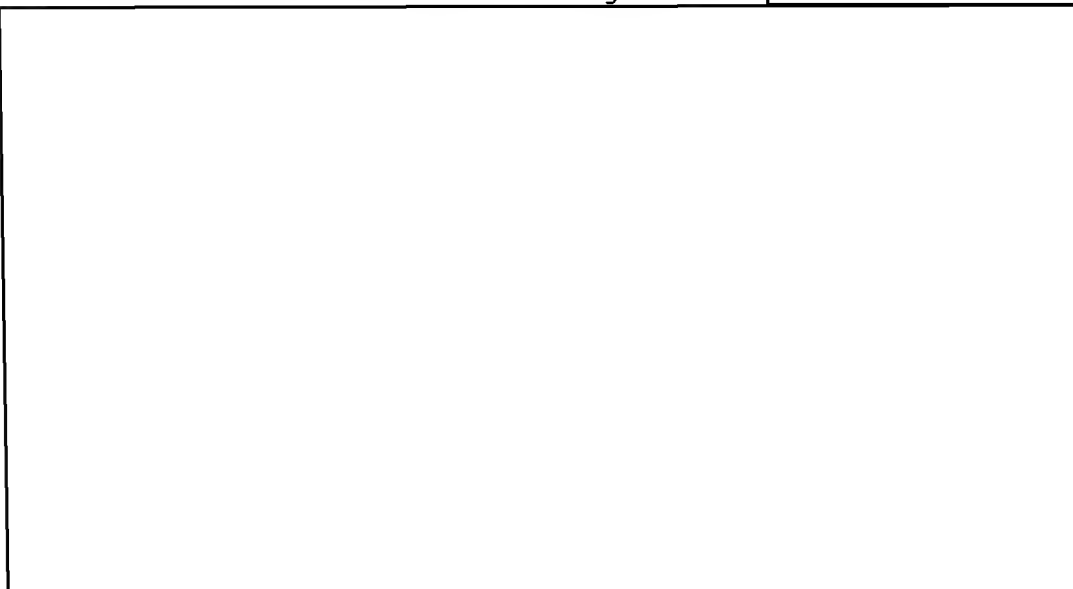
Chile: The Communist Party is moving swiftly to extend its power in key areas and to intimidate actual or potential opponents.

The Communists are using their control of most of the 8,000 local Popular Unity committees organized to support Allende's campaign. They have already asserted their influence in many TV and radio stations, communications facilities, and universities. More or less specific threats have been made against influential publishers whose newspapers already reflect the uncertain situation. A mass rally this weekend to celebrate Allende's victory may be a part of this intimidation process.

Allende himself, on the other hand, has now adopted a more soothing line, probably aware that reaction against such heavy-handed tactics could jeopardize his progress toward the presidency. In another nationwide address on Wednesday he praised the armed forces and national police and their dedication to constitutional obligations.

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NOTES

Israel: The Israeli tanker Aquarius, which was reported to have sunk after a collision with a Soviet cargo ship, apparently was only damaged and is to be towed to the Israeli port of Elat. Following offloading of its cargo of crude oil, the ship reportedly is scheduled for repair in Japan. [REDACTED]

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Sierra Leone: Freetown has moved to extend its control over mining operations, the largest single source of Sierra Leone's export earnings. A new concession agreement places an important British-owned diamond mining company under the control of a new corporation in which the government holds a 51-percent ownership. The British company is to retain day-to-day management of its mining operations, however. Sierra Leone is expected to seek similar control over three other foreign-owned mining companies, [REDACTED]

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Ecuador: The government is continuing its efforts to remove politics from the educational system. On 4 September, all university personnel were fired by presidential decree in a drastic attempt to rid the schools of extreme leftist elements who have long dominated the campuses. It undoubtedly will take some time to reconstitute the staff, and this probably will delay the opening of the universities, which were closed on 22 June. [REDACTED]

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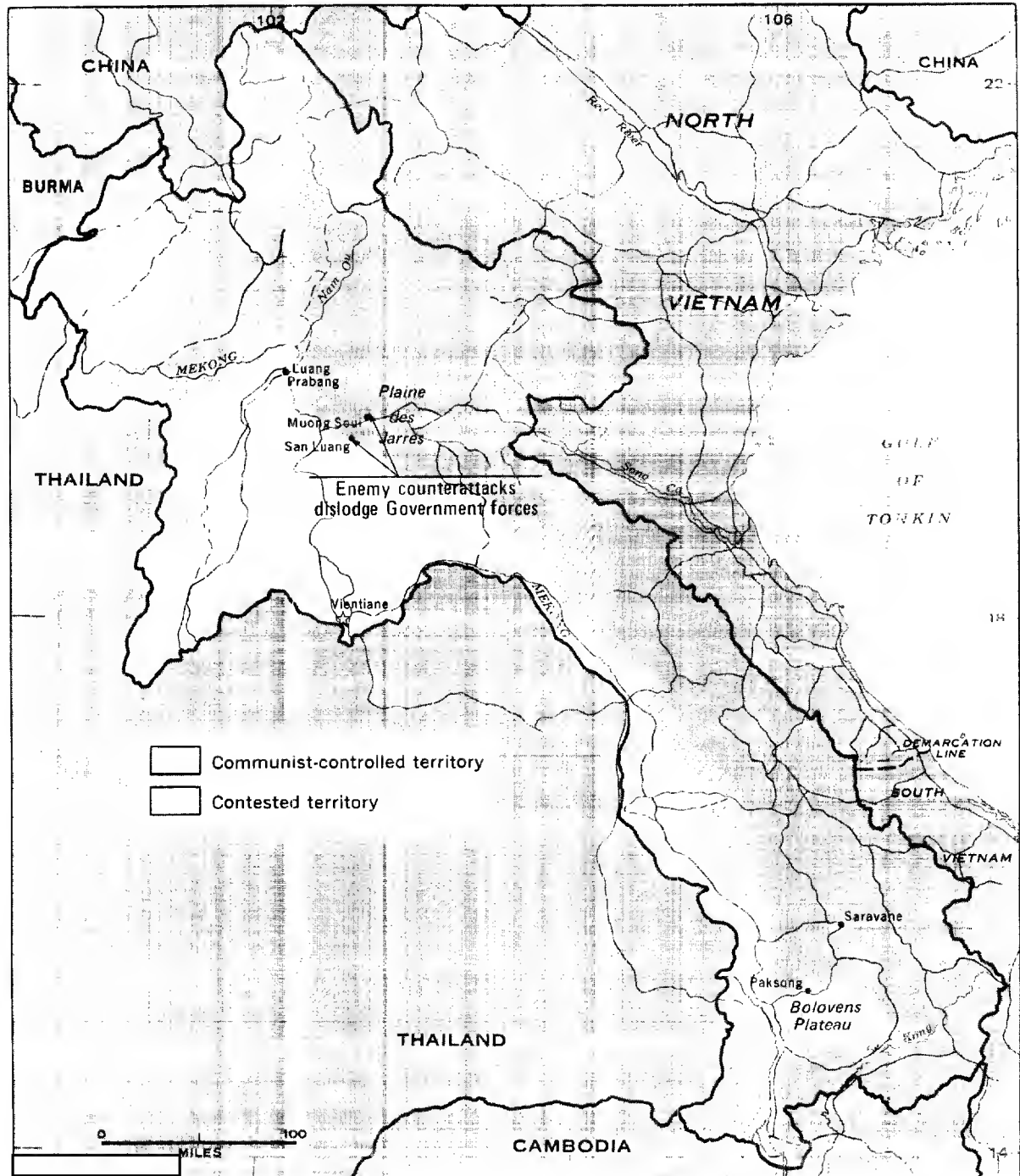
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Laos: Communist resistance to Vang Pao's rainy season operations west of the Plaine des Jarres is stiffening. Two enemy battalions on 10 September attacked and dislodged government guerrillas from key terrain positions they had just occupied near the Communist-controlled town of Muong Soui. A few days earlier, two North Vietnamese companies drove another group of guerrillas from San Luang, a village southwest of Muong Soui that had been captured by the government early this month.
(Map)

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